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THIRTEENTH

ANNUAL REPORT

OF THE

PRESIDENT AND DIRECTORS

TO

THE STOCKHOLDERS

OF THE

BALTIMORE AND OHIO

RAIL ROAD COMPANY.

BALTIMORE:
PRINTED BY JAMES LUCAS & E. K. DEAVER.

1840.

ANNUAL REPORT.

Office of the BALTIMORE and OHIO RAIL ROAD COMPANY,
1st January, 1840.

Pursuant to the provisions of the charter, the President and Directors of the *Baltimore and Ohio Rail Road Company* submit to the stockholders a statement of the affairs of the company for the year, ending the 30th September, 1839.

FIRST:—*Of the Main Stem to its present termination at Harper's Ferry; and of the Washington Branch.*

The revenue and expenses of the main stem, during the year, are shewn by the annexed statement, prepared by the secretary, marked A; to which is subjoined a summary statement, in the usual form, of the affairs of the company, on the 1st of October, 1839, marked B.

The statement A exhibits a steadily increasing trade, and a growing excess of receipts over the expenditures. At the end of the year 1838, the excess was little more than *seven thousand dollars*, and on the 30th of September last, it amounted to upwards of *twenty-seven thousand dollars*. The statement A also shews that the operations of the Main Stem, in connection with those of the Washington Branch, leave an excess over expenditures of \$68,599 70.

It should also be observed, that of the increased trade of the past year, flour is the chief article; and that on the transportation of it, as will be hereafter stated, the company loses at the present rate of toll, *little less than two cents per ton*, per mile. The system of economical expenditure, however, heretofore announced, of which the improved condition of the road and the alteration at the planes constitute a material part, is maturing as rapidly as the nature and state of the service will

allow; and, notwithstanding the increased trade, in the article of flour especially, the expenses of transportation being credited with items not carried into the accounts, at the end of the year, and an extra supply of fuel for the use of the present year, have not exceeded, but on the contrary have fallen short of those of the previous year.

The means of the company being inadequate to reconstruct the remainder of the road to Harper's Ferry upon the substantial plan heretofore adopted, a more thorough renovation of the timber of the present track, and the entire renewal of four miles immediately west of Parr's ridge, became indispensable for the accommodation of the trade, and the security of the passengers; the delapidated condition, also, of the old engines and passenger and burthen cars, made it necessary, in some instances, entirely to renew them, and in others to make extensive repairs, requiring among other things, a stock of materials, to be used during the current year, costing not less than nine thousand dollars. From these causes combined, the expenses of the main stem during the year have been greater than they otherwise would have been; and they cannot be expected to be materially less, until the moving power and machinery can be made as efficient as the extent of the trade and the safety of the passengers demand.

From the same causes, it became necessary during the year to purchase and put upon the road, five new locomotive engines; and in addition to these, four others have been purchased, and will be on the road in the course of the present and ensuing month. During the same period thirty-two single house cars, each calculated to contain twenty-five barrels of flour, have been constructed for the main stem, and many of the old platform cars, heretofore used for granite, have been converted into open box cars for the transportation of flour. Contracts have also been made for four new passenger cars, to be delivered in the course of the months of February and March next.

The new road around the planes was completed during the year, and has been in operation since the month of June last. Although the time has been insufficient fully to test the advantages of the change, the effects may be in part inferred from the preceding observations; and every confidence is entertained that the expectations of the board from this alteration will be realised. Besides the net saving in actual expenditure, considerable facilities are afforded to the passenger trains; and in the transit of burthen trains between Baltimore and Frederick and Harper's Ferry there is an average saving of at least forty-eight hours. The burthen trains are now frequently brought from Harper's Ferry to Baltimore, there discharged and returned again to Harper's Ferry, within twenty-four hours.

During the year, ending on the 30th September, there were brought on the road to Baltimore 264,033 barrels of flour; exceeding by 121,521 barrels, the quantity received during the preceding year.

Since the 30th September and up to the 20th ultimo, 99,670 barrels have been brought down; in the month of October, 29,389; in November, 40,845, and from the 1st to the 20th ultimo, 29,436 barrels.

With the greatest economy it has hitherto been possible to attain, the transportation of flour is estimated to cost now *little less than* six cents per ton per mile, and by the existing charter, the company is permitted to charge no more than four cents per ton per mile; less than is authorised by the charter granted by Virginia and Pennsylvania, and less than is charged upon other roads, in other States of the union.

Flour is not only the most burthensome, and most liable to injury of any article, brought upon the road, but less indulgence is shown to the company for any delay in its transportation. It is an article also, highly important to the interests of Baltimore and to the community; and it is seen, that fully to accommodate this trade, the board have expended not only the capital of the stockholders, but the revenue derived from

the road. A strong appeal, therefore, is made to the State, having so great an interest in the success of the company, to authorise an adequate toll for this branch of transportation.

It is believed that with a reasonable increase of toll upon flour, in no wise onerous to any interest whatever, the time is at hand when, from the profits of the main stem, a dividend may be made to the stockholders.

Nevertheless, the obstacles arising from the peculiar construction of the road, involving heavy expenses in repairs, both of the track and machinery, will for some time remain; and the just expectations of the State and stockholders and of the community at large, can only be fully realised by pushing on their enterprise to the west, with the utmost energy and despatch.

From Harper's Ferry, every mile of the road may be said to pass through a country of great fertility, abounding in mineral resources, and capable of adding immensely to the trade of Baltimore. At Cumberland it reaches a point, second in importance only to the Ohio river, and until it reach that point, neither the travel on the road, nor the trade of Baltimore, can be secure from the rivalry of the Pennsylvania works. To that point, therefore, the board are urged forward by every consideration both of interest and duty.

From the statement of revenue and expenditure from the *Washington branch*, marked C, it will appear that a sufficient surplus accumulated during the year, to warrant a further distribution among the stockholders, and the board accordingly declared a dividend of four per cent., payable on and after the 30th day of November last. So that it will appear that with this dividend, and the bonus from the Washington branch, the State continues to receive within a fraction of six per cent. upon the entire amount of her present investment.

The necessity of constant expenditure upon the deep cuts in this road, and also of ballasting with gravel those parts of the track, where a soil unusually retentive of water was encountered in the excavation, a difficulty alluded to in a former

report, still continues, and has served to diminish the surplus, which otherwise would have remained for dividend.

SECOND :—*As to the extension of the Road beyond Harper's Ferry.*

At the date of the last annual report, the surveys west of Harper's Ferry, to Wheeling and to Pittsburg, had been completed. Subsequently to that period, the board directed the location of the route from Harper's Ferry to Cumberland, preparatory to the lettings, and also of the greater portion of the line west of Cumberland. Of that portion, lying between Harper's Ferry and Cumberland, the location was completed early in the last spring; but that of the remaining part being unfinished in October last, the board deemed it an act of proper precaution, during the difficulties in the money market, to suspend their operations west of Cumberland, and accordingly called in the corps of engineers who had been engaged in that part of the service.

The necessary measures having been taken for procuring the right of way, the whole distance between Harper's Ferry and Cumberland, with the exception of the section immediately adjoining Harper's Ferry, was placed under contract in the course of the last summer. For the section at Harper's Ferry proposals were invited in November last, and the bids being now received, that portion also will be immediately let out.

The sections already under contract have been let out, at prices, not exceeding the estimates of the engineers, to contractors who, as a body, are believed to be fully competent to comply with their engagements, and upon stipulations exempting the company from damages, in case of an interruption in the work for the want of means to prosecute it.

Most of the contracts were signed in the month of August, and the work fairly commenced in September.

During the existing difficulties in the money market, and under the uncertainty of advantageously disposing of the state and city stock, it has been the policy of the board to circum-

scribe the work of the contractors, and submit to a moderate but steady prosecution of their enterprise, rather than, by advancing too rapidly, to incur the necessity of sacrificing the means at their command.

The force at present employed, however, amounts to 1495 men and 466 horses, and up to the 1st ultimo the work actually done amounted to \$185,659, leaving to be done the estimated amount of \$1,378,298. Many of the light sections remain untouched; but all the heavy parts of the work are progressing with good speed, under judicious and energetic management.

The completion of the work must, of course, depend upon the energy and rapidity with which the means of the company will enable the board to push it forward; and these again depend chiefly upon the state of the money market. But at the rate at which the graduation, masonry and bridging are now progressing, should the means of the board enable it to procure the materials for the track, and prosecute the work with spirit during the next year, the road may and ought to be completed and in use to Cumberland in the year 1842.

The means of the company for the extension of the road west of Harper's Ferry consist:

First.—Of the subscription of the city of Baltimore amounting to \$3,000,000.

Second.—Of that of the State of Maryland of \$3,000,000.

Third.—Of that of the State of Virginia, amounting in all to \$1,360,000, and

Fourth.—Of that of the city of Wheeling of \$1,000,000.

According to the present Law, the subscription of the State of Virginia will not be available until the completion of the road, and it is therefore apparent that, under existing circumstances, the chief reliance of the company must be upon the subscriptions by the city of Baltimore and the State of Maryland.

The former is made, expressly, upon the condition "that the whole sum shall be exclusively applied to the prosecution of

the work in an unbroken line from Harper's Ferry, or such point near that place, as shall be selected, from which the extension shall be made."

This condition plainly indicates the intention of the City Councils, by extending the road in an unbroken line, to keep open an uninterrupted trade from the country through which it will pass; and as it will require not less than the amount of the subscription to complete the road from Harper's Ferry to Cumberland, the whole sum may be considered as exclusively applicable between these points.

The subscription is payable to the company in money, in instalments not exceeding \$1,000,000 in any one year. It is also made the duty of the commissioners of finance to borrow the sum necessary to meet the payments by means of a city stock created for that purpose, and at their last session the City Councils levied a direct tax in order to pay the interest upon the instalment of the first year.

Up to the present time, the only payments on account of the city subscription have been made by loans from the Banks of Baltimore, procured, at the instance of the company, upon a pledge of city stock furnished for that purpose by the commissioners of finance; and it is believed that the work may be carried on until the first of Febyuary next by the same means.

The subscription on the part of the state was originally payable to the company in money, by the treasurer, to be raised from the sale of currency bonds, bearing an interest of 6 per cent. These bonds however, were directed to be offered for sale first in Europe before they could be sold elsewhere; and in order to provide for the interest for a period of three years, could only be sold at a net premium of 20 per cent.

These terms proving impracticable, and there being reason to believe, from the representations of one of the States' commissioners in England, that sterling bonds were better adapted to, and would be more saleable in the European market, the legislature, at their last session, substituted in lieu of the old currency bonds, sterling bonds, bearing an interest of five per

cent., payable, principal and interest, in London. In order to provide for the interest for three years, an amount of bonds equal to \$3,200,000 was issued, and delivered directly to the company in payment of the States' subscription, the company giving the requisite guarantee for the punctual payment of the interest.

Independently of the adaptation of the bonds to the European market, it was obvious, from inquiries made in *New York* and *Philadelphia*, that they could not be advantageously disposed of in the United States; and, at the request of the board, the president was induced to proceed to Europe, there to make such arrangements as he should deem best for their final disposition.

By the time these bonds could be prepared and forwarded to London, a very unfavorable change had taken place in the European market. American securities had accumulated there in an unprecedented quantity, and a general depression had taken place in their value. Many causes conspired to weaken confidence in American credit; the efforts of the Bank of England to render money scarce and of greater value, also, made operations in American stocks still more difficult; but the sales of Maryland sterling bonds, of a like character, in small amounts and at reduced prices, and the universal knowledge that there would be forced sales of similar bonds, at even less rates, rendered a sale of any portion of those belonging to the rail road company, unless at prices prejudicial to the credit of the State, and ruinous to the interests of the company, absolutely impossible.

From all these causes, and since the great change which has taken place in the money market in Europe, and in the investment by capitalists, it is believed that any large operations in American stocks, upon advantageous terms cannot in future be relied upon. On the contrary, without being sacrificed to the great injury of State credit, they must be disposed of gradually, under judicious management, as the wants of the capitalists may require.

Consulting not more the interests of the company, than the credit of the State, so necessary to the prosecution of all her public enterprises, the president declined disposing of any portion of the bonds committed to him, at the prices established by other sales; and from the same motives, deemed it advisable to place them in a train of sale, when circumstances shall render it expedient—securing in the mean time,—*First*, the advance of such amount of capital as the future necessities of the company are likely to require; and *Second*, such an agency as would exert the greatest influence, in sustaining the credit of the securities, and in the event of sale, be most likely to obtain the best price. Such an arrangement, notwithstanding the high value of money in England, and the liability of other bonds of the State to be sold at reduced prices, the president succeeded in making with the house of *Messrs. Baring, Brothers & Co.* of London. It will be optional with the company, from their view of their necessities, to accept the advances; and, previous to its disposition abroad, there is nothing to prevent a sale of the stock in the United States, should an opportunity offer for that purpose.

The necessity of using the advances, of which the company has the option from the house in London, can only arise from a continued depression in the money market, or from an inability on the part of the city of Baltimore to pay her subscription.

It is obvious, however, that unless some disposition can be made of the stock created for the purpose, the city of Baltimore will not be able to comply with her engagements, and, therefore, the board feel called upon to assist, by any legitimate means in their power, to render the stock immediately available.

For this purpose, a large majority of the board has determined to offer the contractors and proprietors of lands, in payment for their work, and the right of way, certificates, authorising the transfer at par of the six per cent. stock of the city of Baltimore whenever presented in sums of \$100, or upwards;

and such certificates there is reason to believe the contractors and others may and will accept without loss.

That entire confidence may be felt in the certificates, the requisite amount of city stock will be received by the company, simultaneously with each issue in payment of so much of the subscription, on the part of the city, and be immediately vested in two commissioners, in trust, for the holders of the certificates; which, in form, will be orders upon the commissioners to transfer the stock when demanded in the proper amounts.

Better security than is here presented to the creditor, or one less exposed to the mischief which the existing laws of the State intended to prevent, could not be desired; and would be worthy of public confidence and an extended favor in a season of less embarrassment than that in which the community is now placed.

In the success of the expedient will be found the means of prosecuting this great enterprise, with which the prosperity of the city and State is intimately interwoven, by the sale of the city stock at its par value; of maintaining the State bonds committed to this company, and,—so far as their management can effect it,—the credit of the State itself, upon the secure basis on which they have been placed; and, amid difficulties destructive of almost every other enterprise, of pressing forward to completion, that which the whole community is so impatiently awaiting.

The expedient may not be successful; but the stake is too great, and the crisis too urgent, to warrant the board in leaving it untried; and they confidently rely upon their fellow citizens of all parties and of every class, and upon the public authorities, to sanction its adoption and encourage its prosecution.

By order of the Board,

LOUIS McLANE, *President.*

[A]

STATEMENT

SHEWING THE

REVENUE AND EXPENSES

OF THE

BALTIMORE AND OHIO RAIL ROAD

For the year ending 1st October, 1839.

The amount received for the transportation of passengers and merchandise for the year ending 1st October, 1839, is

\$407,347 50

And the dividend received from the Washington Ranch road, is

41,304 00

Making together - - - - - \$448,651 50

The expenses have been as follow, to wit:

For transportation, - - - - - \$148,242 54*

For repairs of railway, - - - - - 97,920 74

For repairs of locomotives, - - - - - 31,465 74

For repairs of burden cars, - - - - - 14,011 03

For repairs of passenger cars, - - - - - 4,199 50

For repairs of the Monocacy and Harpers'

Ferry bridges, and of depots and water

stations, - - - - - 9,860 20

For office expenses and salaries, and various contingent expenses, - - - - - 7,001 15

For interest on the million and other loans, - - - - - 67,350 90

Making - - - - - 380,051 80

And shewing a surplus of revenue of - - - - - \$68,599 70

*Office of the Baltimore and Ohio Rail Road Company,
1st October, 1839.*

J. I. ATKINSON,
Secretary.

* The Superintendent of transportation has paid over for sales of horses, coal, oil-casks, &c. \$9,107 22, the crediting of which was suspended on the 30th September, 1839, for the settlement of some outstanding debts, and with which the expenses of transportation are now to be credited.

The superintendent also reports that the extra quantity of fuel on hand at the end of the year, with which expenses of transportation are to be credited, amounted to 1500 tons of coal, equal to \$9,750. These two sums, amounting, together to \$18,857 22, when credited will shew the expenses of transportation for the year ending 30th September, 1839, to be less by \$6,814 07, than those of the year ending the 30th September, 1838.

[B]

SUMMARY STATEMENT

OF THE AFFAIRS OF THE

BALTIMORE AND OHIO RAIL ROAD COMPANY,

On the 1st of October, 1839.

The company have received for stock, - - -	\$3,982 972 50
And for stock in the Washington Branch Road over and above the million loan created for the purpose, - - - - -	32,600 00

Making together, - - - - - \$4,015,572 50
And they have expended the following, to wit:

For construction of road to Frederick
and Harpers' Ferry, including real
estate, locomotive steam power, pas-
senger and burden cars, and an item
of \$43,115 14 called "deferred in-
terest"—And also including the re-
construction and change of location
round the inclined planes at Parris'
ridge, - - - , - - - \$4,145,774 10

For surveys, right of way, graduation
and contingencies west of Harpers'
Ferry, including the amount paid to
the agent for negotiating the State
stock, - - - - - 246,741 55

Making - - - - - \$4,392,515 65

Shewing an over expenditure of capital of - - - \$376,943 15

The company have to the credit of
their revenue account, including di-
vidends from the Washington
Branch road, - - - - - \$1,532,301 24

Against which go the following charges, to wit:
Transportation expenses, - - - \$550,345 55
Repairs of railway, - - - - 336,454 40
Repairs of locomotives, - - - 74,155 52
Repairs of burden cars, - - - - 62,474 17
Repairs of passenger cars, - - - 10,986 09

Repairs of the Monocacy bridge, of the Harpers' Ferry viaduct, and of de-	
pots and water stations, - - -	26,360 38
Interest on the million loan, and on other moneys, - - - -	296,042 04
Office expenses and salaries, printing and various contingent expenses,	24,897 79
	<hr/>
	1,381,715 94
And shewing a surplus of revenue amounting to	\$150,585 30
	<hr/>
The company have bills payable out - - -	\$332,558 33
Of which have been given for the City of Baltimore, with a pledge of her stock, - - - -	\$218,433 33
And on the Company's own account,	114,125 00
	<hr/>
	332,558 33
	<hr/>

*Office of the Baltimore and Ohio Rail Road Company,
1st October, 1839.*

J. I. ATKINSON,
Secretary.

[C]

S T A T E M E N T

O F T H E A F F A I R S O F

T H E W A S H I N G T O N B R A N C H
O F T H E
B A L T I M O R E A N D O H I O R A I L R O A D,

O n t h e 1 s t o f O c t o b e r , 1 8 3 9 .

The Washington Branch rail road has stock	-	\$1,650,000 00
And there have been expended in making the road, and in real estate and depots, locomotive steam power, and burden and passenger cars,	- - -	1,665,362 05

Shewing an over expenditure on account of capital of	- - - - -	\$15,362 05
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After making a dividend of 10 per cent. in stock, and 4 per cent. in money last year, there re- mained	- - - - -	\$13,214 09
The revenue from the transportation of passengers and merchandise, for the year ending 30th Sept. 1839, has been	- - - - -	194,075 17

\$207,289 26

From which are to be taken the following ex-
penses, to wit:

Bonus to the State, 1-5 of the receipts from passengers,	- - - - -	\$37,368 91
Expenses of transportation,	- - - - -	29,242 71
Repairs of railway, machinery and cars,	56,845 48	
Office expenses, taxes on property, &c.	6,395 36	
Interest, Elkridge Landing bridge an- nuity,	- - - - -	1,250 00

\$131,102 46

Leaving a surplus of revenue of - - - \$76,186 80*

*Office of the Baltimore and Ohio Rail Road Company,
1st October, 1839.*

J. I. ATKINSON,
Secretary.

*Four dollars per share of the above mentioned surplus
was on the 30th November last divided among the
stockholders, - - - - - \$66,000 00
And this sum reserved to go towards the extinction of
the debt due by the revenue to the capital, - 10,186 80
\$76,180 80





JUN 76

N. MANCHESTER,
INDIANA



